

BUSINESS WATCH

Home additions to boost bldg. material sales 15%

(Continued from page 12)

• Resales and new home sales two to three years earlier are important factors. Homeowners are often stretched thin after the purchase, especially in today's market, and it takes time for income to expand so that major improvements can begin.

Additions and alterations spending was weak in the late 1970's, rising 1.1% per year, in unit volume, from 1976 to 1980. People were moving more frequently then. Inflation encouraged homeowners to buy the most expensive home that they could afford and trade up again in a few years. The average age of the population was a problem. The number of two-income households was on the rise, but many working mothers had a "job" to make ends meet in an inflationary environment.

Additions and alterations will be stronger in the late 1980's. We expect the unit volume of spending to be up 4% this year, 5% in 1987, and 3-4% for the rest of the decade. People will be moving less frequently, encouraging the enhancement of existing homes.

Aside from the Boston and New York markets, most home prices are not soaring as they did in the 1970's. The average age of the population is getting older as the post-war baby boomers mature. Working women are now on professional career tracks rather than the "jobs" of the 1970's. Mortgage rates remain high, especially when compared to the 4% underlying rate of inflation.

While many homeowners would like to trade up, high borrowing costs and modest gains in home prices will encourage spending on existing homes. Finally, the tax proposal makes special provisions for home improvements making them less expensive, after tax, than other goods or services.

Additions and alterations spending is expected to increase 9% this year and 10% in 1987 in dollar volume, helping to increase building material sales. Income gains will be accelerating next year and inter-

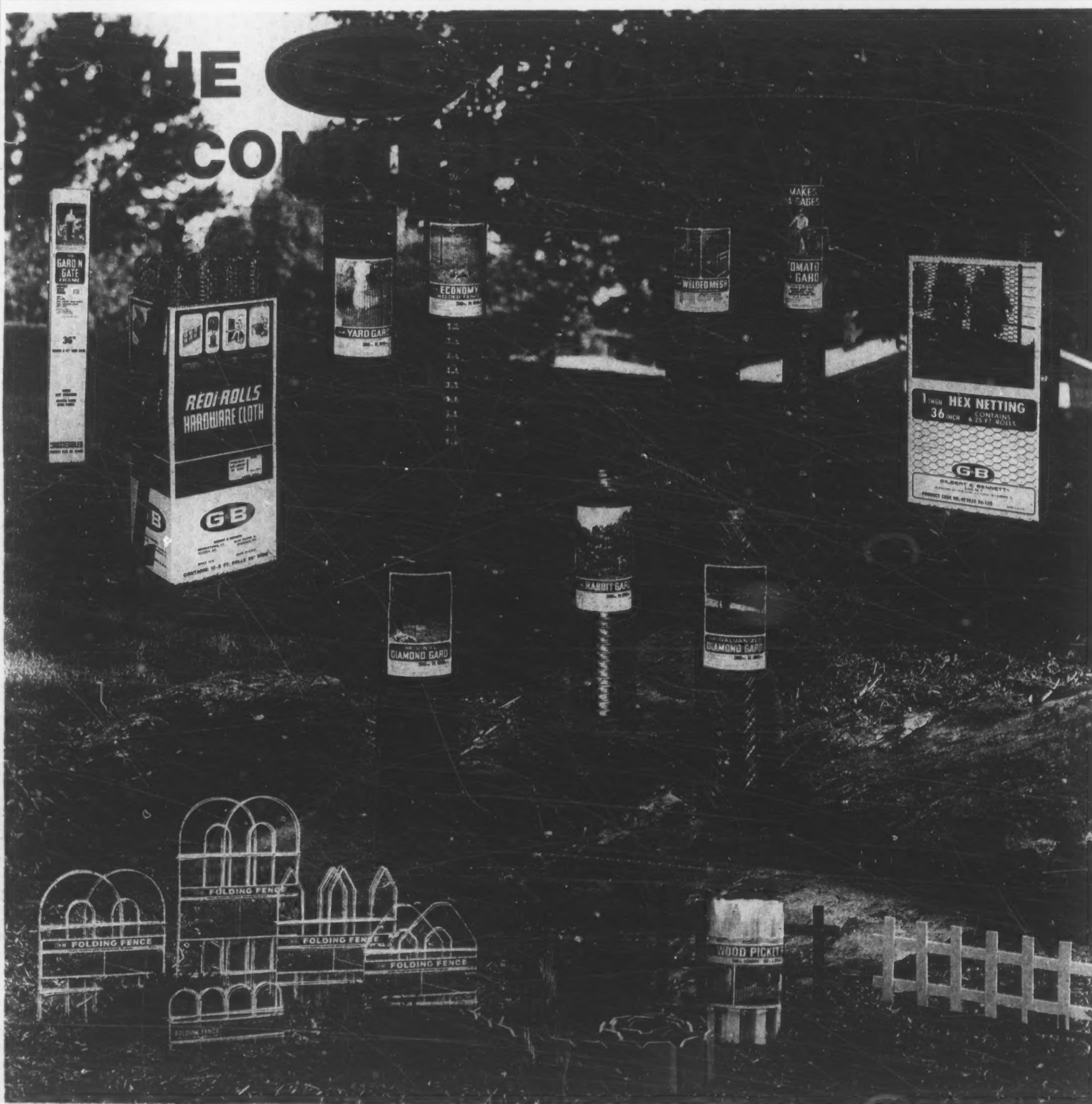
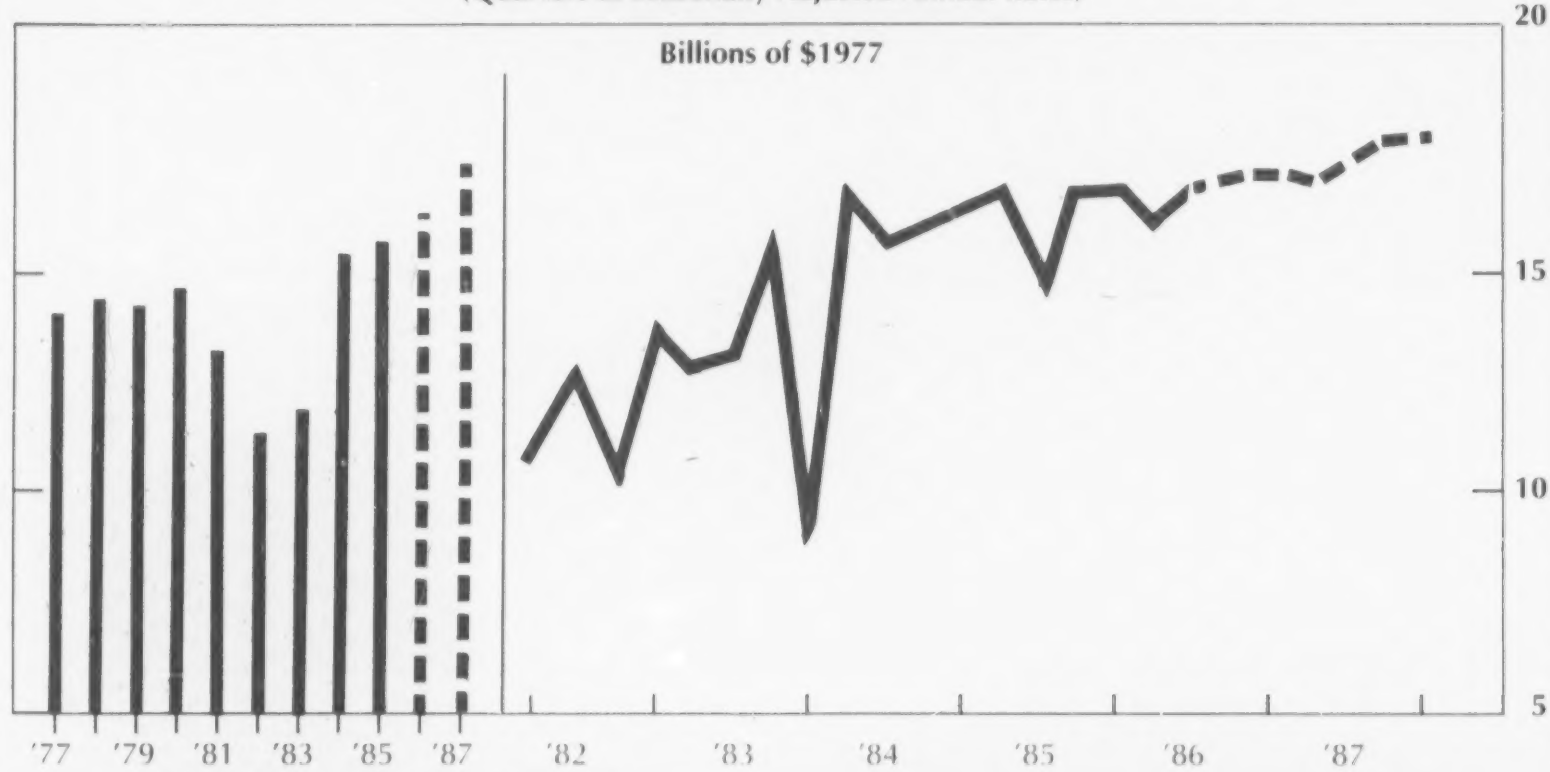
est rates will be lower. Resales began to rise sharply in 1983, reaching 2.7 million units, and should stay above 3.4 million through 1987, increasing additions and alterations spending through the end of the decade.

For building material retailers, sales for most stores will be shifting from home builder to home owner through 1987. Those stores offering the best mix of price and selection will prosper.

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Expenditures on Additions and Alterations Total Housing Stock

(Quarters at Seasonally Adjusted Annual Rates)



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Michigan General narrows 2Q losses

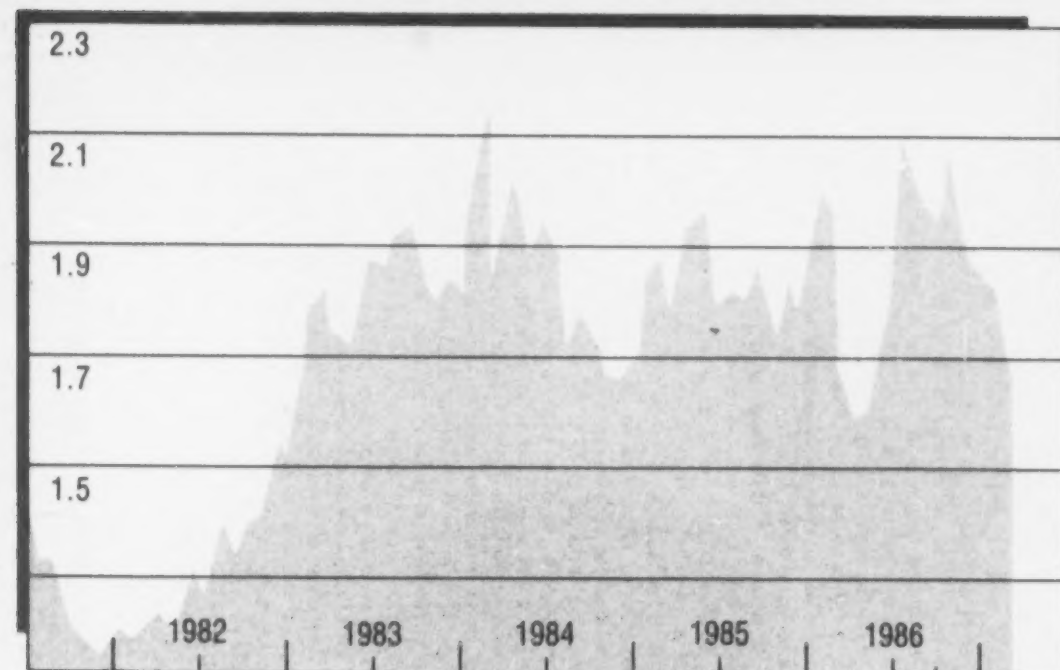
SADDLE BROOK, N.J. — Michigan General, parent company of Diamond Lumber, reported revenues of \$120 million for the quarter that ended June 30. That was up slightly over the same quarter of 1985.

Losses for the quarter came to \$2.6 million, compared with losses of \$12.7 million for the second quarter of 1985.

The company also reported that its stock offering of 6,523,642 shares had increased its stockholders' equity by approximately \$18.8 million.

The company also revealed that it had obtained additional long-term debt in the form of a \$10 million loan, collateralized by real estate.

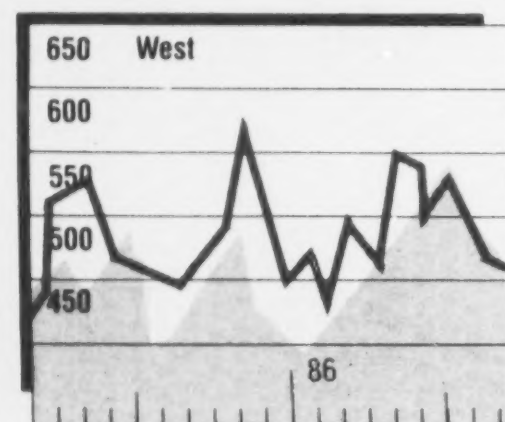
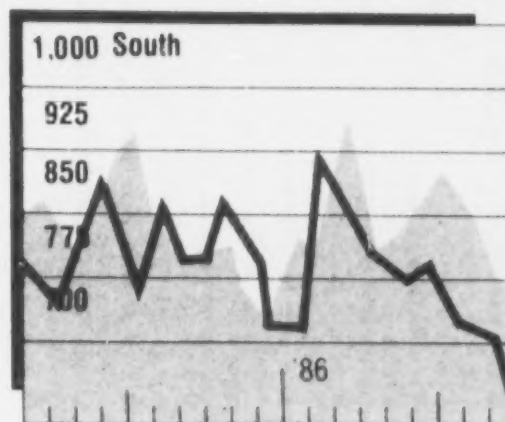
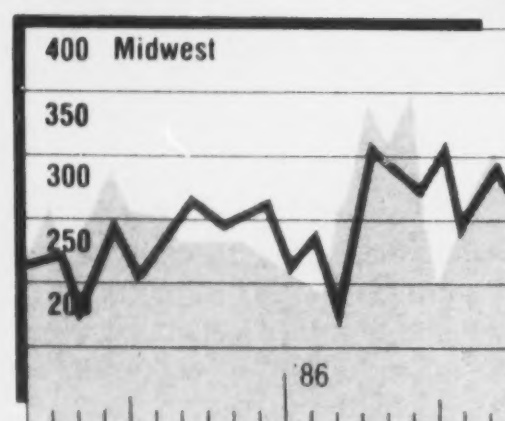
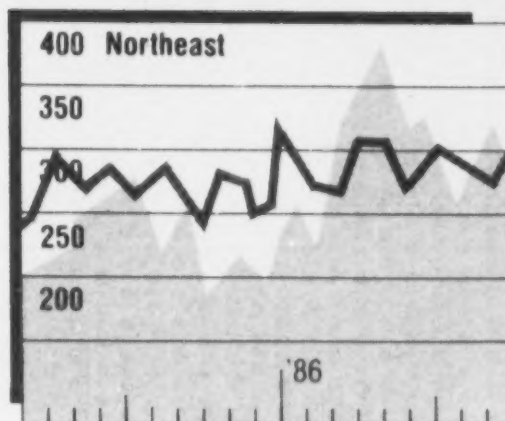
HOUSING WATCH

National housing starts and permits
(seasonally adjusted annual rates, in millions)

	Total U.S. starts	Total U.S. permits	Single family starts	Single family permits
Sept. '86	1,680	1,613	1,116	1,054
Aug. '86	1,818	1,673	1,199	1,039
Sept. '85	1,653	1,846	1,006	956

Source: U.S. Commerce Department

Key
 Starts
 Permits

Regional housing starts and permits
(in thousands)

Housing starts down 7.6% for September

By an NHCN staff editor

NATIONAL REPORT — Housing starts fell to their lowest level in a year in September, down 7.6% to a seasonally adjusted 1.68 million units, according to the U.S. Commerce Department.

And housing permits, a barometer of future housing activity, hit its lowest point in almost two years, falling 3.6% to 1.613 million units.

Despite this, Dean Crist, research economist with the National Association of Home Builders (NAHB), said the decline was expected.

The NAHB is still projecting starts to total 1.84 million units this year, 1.2 million of which will be in single-family residences. With just three months left before the end of the year, Crist said 269,000 single-family homes need to be constructed to make the 1.2 million target, and 146,000 more multifamily structures need to be built to meet its 640,000-unit projection. Both numbers are attainable, he said.

While total starts fell in September, activity was still 1.6% ahead of September

Regional Housing
(in thousands)

	Sept. '86 starts	% chg.	Sept. '86 permits	% chg.
Northeast	282	-15	302	+11
West	433	-9	455	-1
South	696	-1	598	-8
Midwest	269	-11	258	-11

Source: U.S. Commerce Department

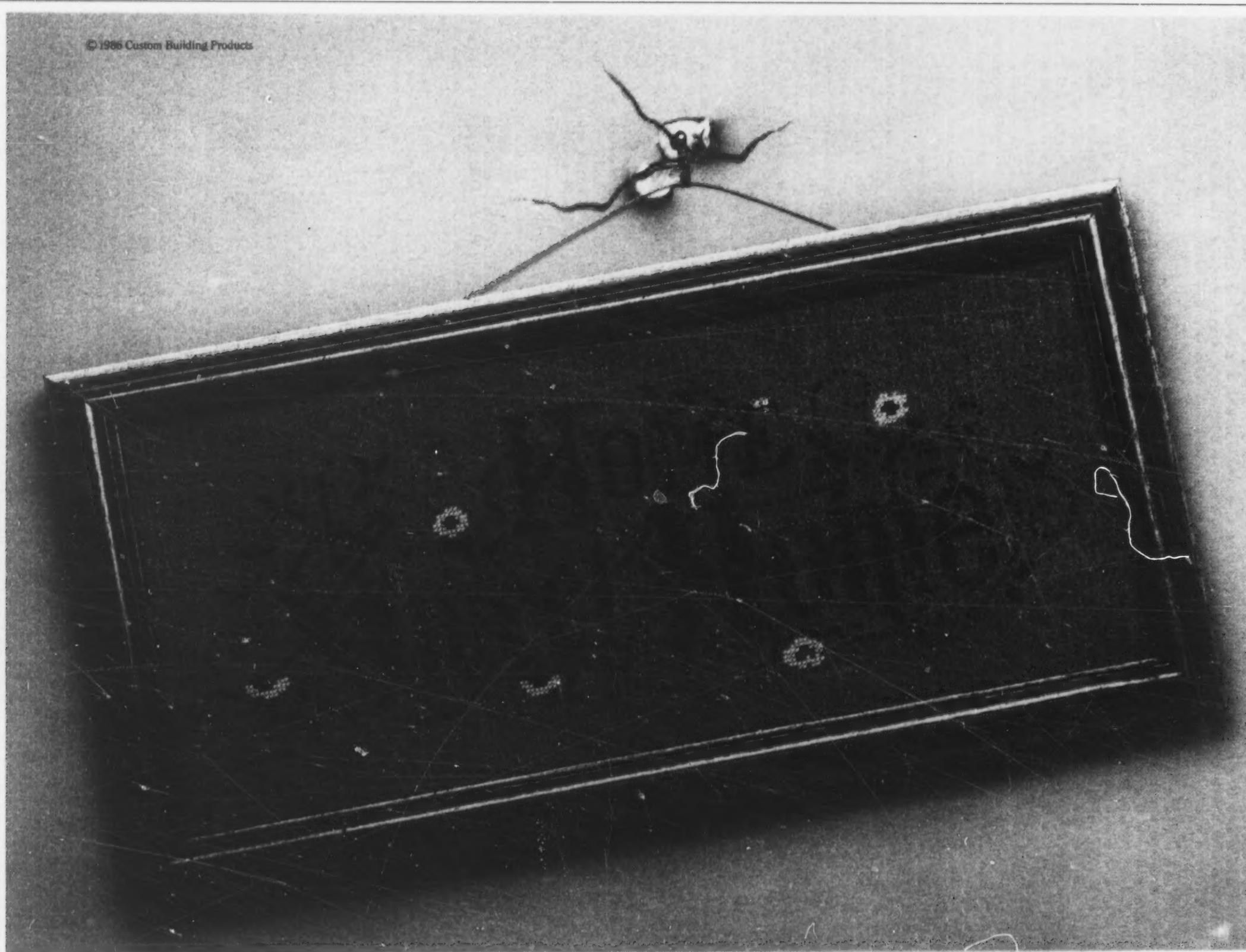
1985. And single-family starts were 11% above last year's pace. Total housing permits were down nearly 13% from September 1985 but single-family permits were up 10% in the same period, the Commerce Department said.

Housing activity remains strongest in the Northeast, where starts were 20% above the level set in September 1985. But in the monthly recording period of August/September, starts fell 15% to an annualized 282,000 units. Permits in this region rose 11% from August, to 302,000 units, seasonally adjusted, 25% above its September 1985 level.

Starts were down 11% in the Midwest in September, to an annualized 269,000 units, but were still 16% above its September 1985 level. Permits were 13% above their last year's pace, but fell 11% from August, to an annualized 258,000 units.

Housing starts in the West fell 9% in September to 433,000 units, seasonally adjusted, 6% below its September 1985 level. Permits fell 1% from August to 455,000 units, which was a 26% decline from last September.

The South posted a 1% decline in housing starts in September, to 696,000 units, seasonally adjusted, which was a 4% decline from a year ago. Permit activity fell 8%, to 598,000 units, a 21% drop from the same time last year.



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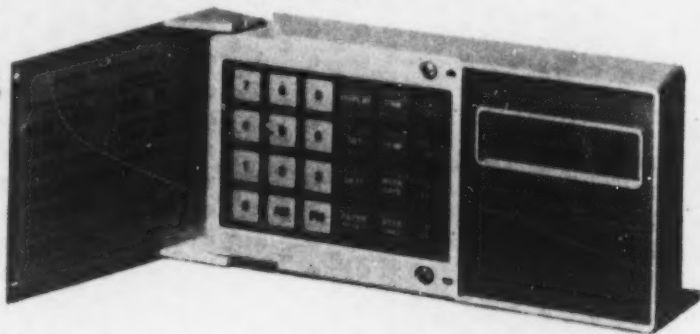


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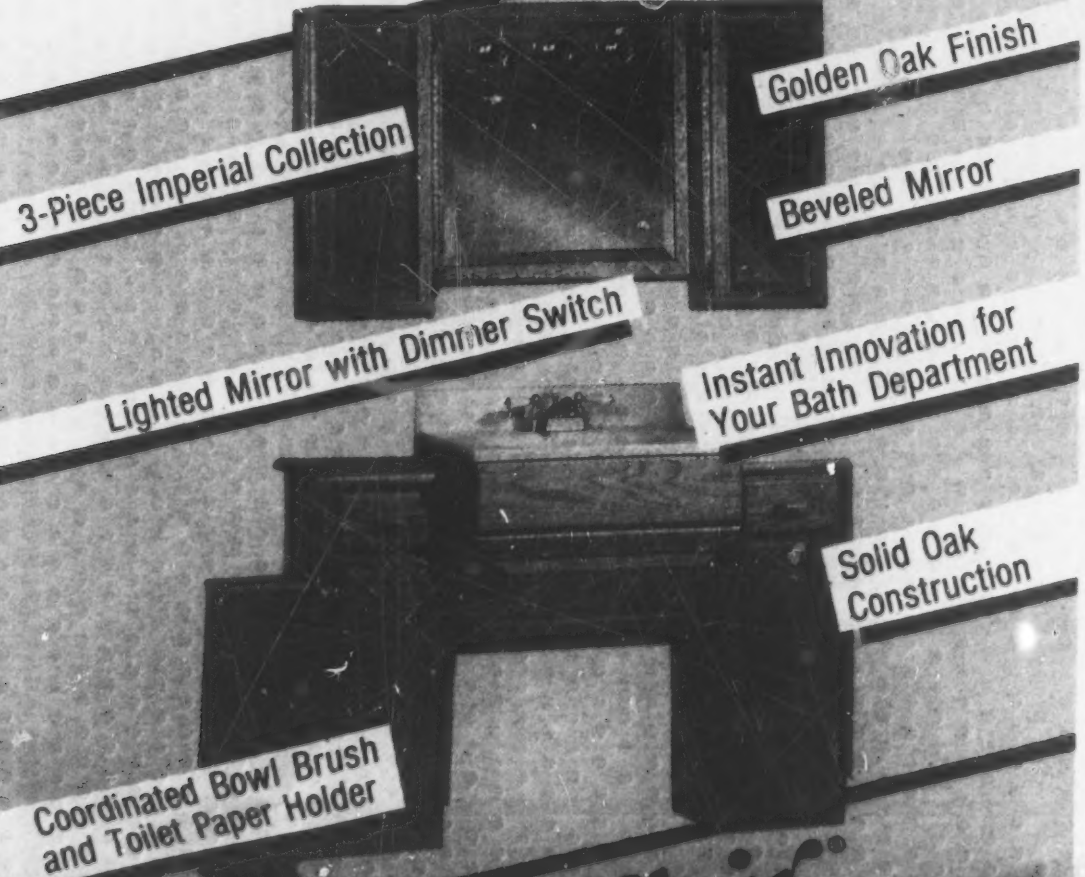
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LUMBER REPORT

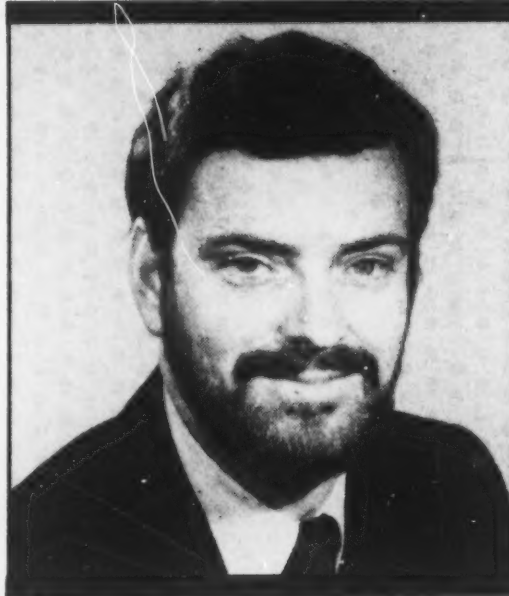
Buyers market shapes up for '87 after strike, tariff fear subsides

By Hawk Furman
Special to NHCN

Industry experts see a lessening of demand for softwood lumber products in 1987. It is estimated that 46.1 billion bd. ft. of lumber and 24.5 billion sq. ft. of panelboard products will be consumed in the U.S. in 1986.

The Western Wood Products Association (WWPA) predicts consumption of lumber will drop 44 billion bd. ft. in 1987, down 3% from 1986. The American Plywood Association (APA) sees demand for panels in the new residential construction market to decline by over 5% in 1987 from 1986 levels although they predict overall pane demand to be up 0.6% from 24.5 billion sq. ft. to 24.747 billion sq. ft.

H.A. Roberts, president of WWPA, projects housing starts at 1.75 million units in 1987, down from 1.8 million estimated for 1986. The APA also predicts a lessening in



“It appears that 1987 is shaping up to be another buyers’ market. The strikes should be settled, the tariff nervousness behind and production will be at full steam.”

—Hawk Furman

that when the strike ends, production will pour forth again from Canada into the U.S.

Panelboard production should increase with the implementation of new techniques and equipment. There are at least seven new waferboard/Oriented Strand Board mills scheduled to start up in 1987. The waferboard indus-

try has also come up with new resins that set faster and result in spectacular increases in production.

Therefore, it appears that 1987 is shaping up to be another buyers’ market in lumber and panelboard. The strikes should be settled, the tariff nervousness behind the industry and production will be at full steam.

“There should be very little worry about softwood lumber and panel supply this coming year unless a large number of manufacturers close down, or there are extended strikes.”

—Hawk Furman

housing demand, with multi-family structures dropping from a 675,000 unit rate for the first six months of 1986 to 450,000 starts in 1987.

The reasons given for the reduction are tax reform and high vacancy rates. WWPA predicts that residential construction will consume 17.28 billion bd. ft. of lumber in 1986 and drop to 16.945 billion bd. ft. in 1987. Lumber used in repair and remodeling (residential and nonresidential), will drop to 12.295 billion bd. ft. in 1987 from 12.915 billion bd. ft. in 1986.

There should be very little worry about softwood lumber and panel supply this coming year unless a large number of manufacturers close down, or there are extended strikes.

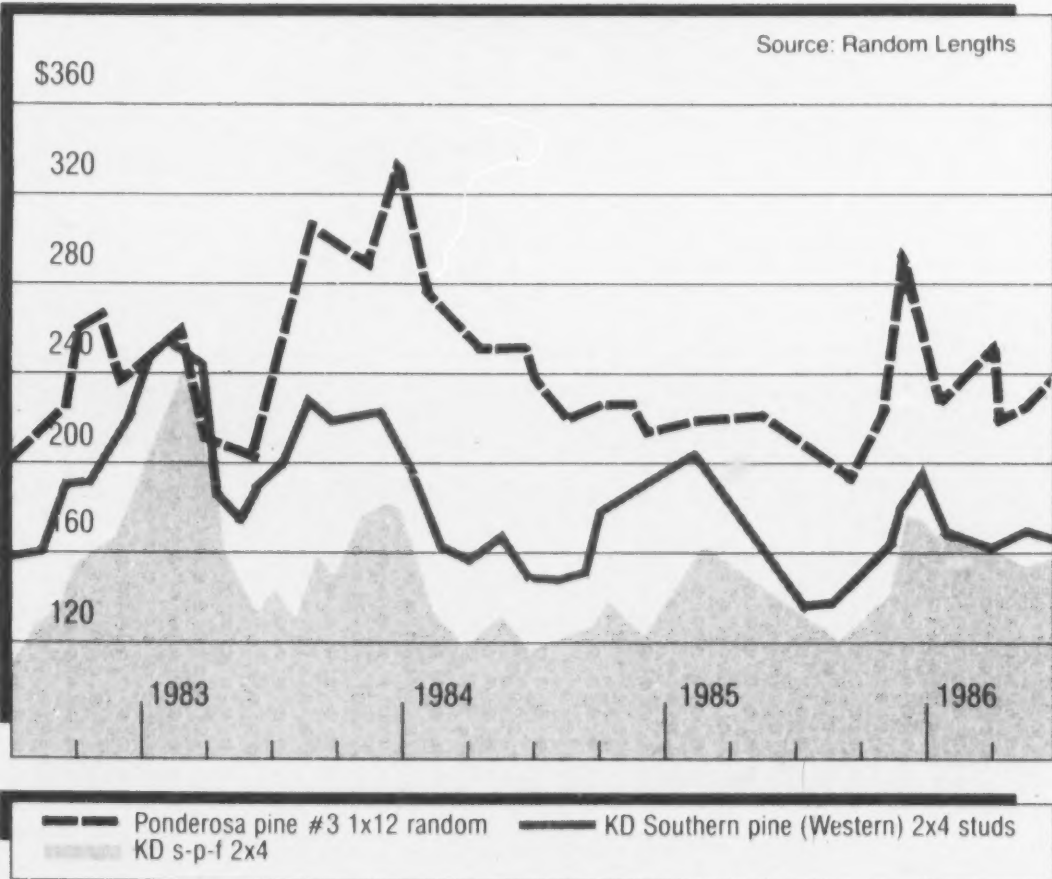
Mills in Canada and the U.S. continue to streamline and get more efficient. Mills on the West Coast hit a single-week production high of 427 million bd. ft. on the week ended Sept. 20. And according to WWPA, Western U.S. lumber production is up 10% for the first nine months of 1986 over the same period in 1985.

Canadian imports of lumber increased 6.5% over 1985 for the first seven months, but crippling strikes have taken enough production off the market that estimated total Canadian imports of lumber to the U.S. will show just a 3.5% gain for the entire year.

There can be little doubt

Commodity close-up

Studs and Boards
Average mill monthly prices



Price points for studs and boards have been topsy-turvy during the first two months of the third quarter. Ponderosa pine #3 1x12 rose from a July trading price of \$235 per thousand board feet, then dropped \$2 in August before hitting \$239 in September. KD Southern pine (Western) 2x4 studs slid from \$170 per thousand board feet in July to \$161 in September.

Futures

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; \$ per 1,000 bd. ft.
Two weeks ended 10/9

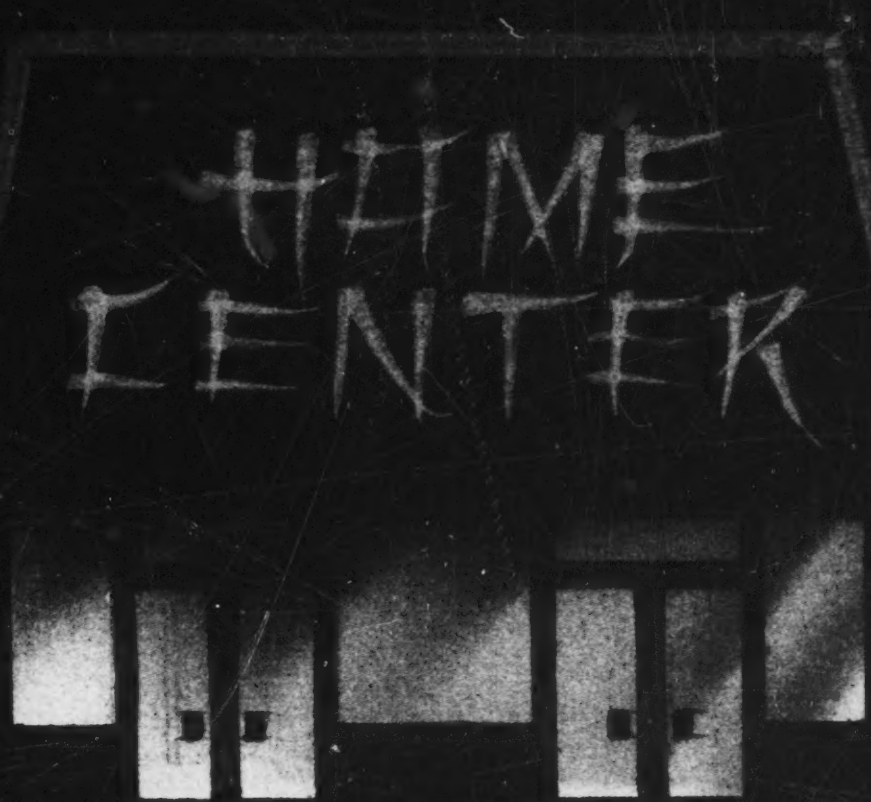
	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
Nov.	\$172.90	\$164.10	\$165.90	\$168.20	2,719	\$186.90	\$146.00
Jan. '87	\$169.50	\$161.90	\$163.80	\$165.50	1,662	\$182.00	\$150.00
March	\$169.90	\$163.50	\$164.50	\$166.50	538	\$180.50	\$153.00
May	\$170.00	\$164.80	\$164.50	\$167.80	151	\$179.00	\$155.50
July	\$170.00	\$166.50	\$166.00	\$167.80	33	\$177.50	\$155.10
Sept.	\$170.00	\$167.50	\$167.20	\$168.50	20	\$177.90	\$163.50
Nov.	\$169.00	\$166.50	\$166.50	\$166.50	6	\$169.00	\$161.40

Total Contract Vol. (Through 10/9): 11,654 Previous Two Weeks: 17,044
Total Open Interest (As of 10/9): 5,129 Previous Week: 4,798
Cash Price: \$180.32 Previous Week: \$181.30 Year Ago: \$145.04

CME—Chicago Mercantile Exchange
*Figures for Thursday, 10/9
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Perspectives

THE SURPRISES JAPANESE INDUSTRIES



HOME
CENTER

By Philip M. Perry
NHC Staff Writer

Construction in Japan is still going westward in Japan, but it's not the U.S. that's the main attraction. The Japanese still see the U.S. as a market for home improvement retailing.

The Japanese home center industry began in a small way in the early 1970s, when visitors from that country saw some of the new home center concepts being introduced in the United States.

It's ironic though, given the way Japan has patterned its home centers after American ones, that its stores still differ so much from the ones in the United States.

Japanese home centers are often smaller than American ones. They handle less lumber. And they load their shelves with stationery, toys, sundries, and other items.

"Americans often say our home centers look like small K mart stores," said Yasuhiro Ishihara, president of the Specialty Institute, a consulting outfit based in Tokyo. "Japanese home centers represent something of a mix between home centers and discount stores."

Ishihara joined a group of Japanese home center executives to discuss the market in that nation, at a conference held earlier this summer in Washington. The conference was sponsored by Inter-Pacific Networks, Los Angeles.

The average Japanese home center, noted Ishihara, has 15,000 sq. ft. of selling area. There are relatively few larger ones, and even those usually go up to only 35,000 sq. ft.

In contrast, American home centers operated by the top 150 companies average 28,000 sq.

ft. and warehouse ones can run as high as 80,000 to 100,000 sq. ft.

Lumber, cement, and other DIY items make up only 10% to 15% of the merchandise in the Japanese home center, said Ishihara. Plants and garden tools comprise from 2% to 12%. Interiors such as floor coverings, cushions and rugs comprise the third largest category. Secondary categories include sundries, home appliances, auto parts and accessories, stationery, toys and tools.

Part of the reason why Japanese home centers carry such a diversity of items is that super drug stores and discount stores—typically serving as large draws for American shopping malls—never came into existence in Japan. In that nation, home centers have become the most common magnets for shopping centers. As a result, they carry much of the merchandise Americans see in other stores.

As for the lack of a strong presence in lumber and other commodities that go into project sales, the primary reason seems to be the nature of the Japanese house.

The typical Japanese house, said Ishihara, is very small and has a limited backyard. And the lack of sufficient land for expansion—a condition made worse by the mountainous terrain that characterizes much of the nation—means more of the country's housing is taking the form of apartment buildings, commonly from 4 to 10 stories high.

"The difference in the housing causes a difference between the methods of do-it-yourselfers in the U.S. and Japan," said Ishihara.

Japanese DIYers tend to concentrate on smaller repair projects. Some 60% of home cen-

ter customers there are shopping for small items to perform repairs such as fixing leaky faucets.

One of the most popular DIY projects is the window garden. "Even if the Japanese home is so small it has no backyard, the homeowners will still set up window gardens," said Michimasa Iizuka, president of Juntendo, an \$89 million chain of 12 stores based in Shimane, Japan.

When heavier duty remodeling of kitchens and baths is needed, homeowners generally hire specialists to do the work.

Specialists generally don't shop at home centers, but patronize smaller mom-and-pop stores that stock merchandise for larger projects. Tadashi Okamoto, senior vp of Keiyo Home Centers, a chain of 42 stores based in Chiba-Ken, Japan, estimated 90% of the traffic in Japanese home center stores represent amateurs, while the remainder are painters, plumbers and other professionals.

"With home centers getting bigger in size in Japan, contractors may want to start going there," noted Iizuka of Juntendo. But government regulations protect the small mom-and-pop specialty stores that have traditionally catered to the Japanese craftsman who has played such a dominant role in Japanese history. If a home center chain wants to build a store larger than 5,340 sq. ft., the company must visit the smaller stores in the market area and obtain permission, not unlike similar protections existing in some European nations.

This legal protection of the mom-and-pop stores is often cited as the number one stumbling block to growth of the home center indus-

(Continued on page 23)

Perspectives

cover story

Japan looks to U.S. for home center acumen

(Continued from page 21)
ry. "It takes from four to five years to establish a larger store," said Ishihara.

In any event, the Japanese home center industry is much smaller than its American counterpart. The Specialty Institute said that, as of the end of October of last year, there were 496 Japanese home center companies running 1,500 stores, with total sales of only \$7.4 billion, slightly smaller than Canada's.

In contrast, in the U.S. the home center, hardware and lumberyard industry has been pegged at \$65 billion annually. The top 150 companies operated 4,474 stores and did \$20.6 billion in volume last year.

The largest American home center chain, Lowe's, did \$2.1 billion in sales last year. In contrast, the largest Japanese home center chain, Viva, does roughly 15% of that volume.

Japanese home centers are much more dependent on wholesalers than in the U.S.

That's true generally of most of the 1.7 million mom-and-pop shops in all retail fields in that nation, according to Japanese visitors to the conference.

To date, there has been no effort to set up the network of co-ops that has arisen in the

United States and which has taken so much business from the traditional wholesalers.

Wholesalers have been able to maintain their dominance in Japan largely because they will accept returns of merchandise, and also because they will accept promissory notes for payments. That helps the retailer's cash flow, since in many cases by the time the retailer must pay the wholesaler, the customer has already bought the merchandise.

While some wholesalers have fallen on hard times in the United States, the traditions of the Japanese culture help maintain the status quo. Japanese business people consider it their obligation to consider the position of their fellow business people.

As a result, retailers and wholesalers in Japan tend to work together to solve one another's problems. A wholesaler might hesitate to give large retailers any deal that might hurt smaller retailers. Likewise, retailers are apt to support a long-time wholesaler who falls on temporary hard times.

Yet, when one digs deeper, one finds both nations share a common set of conditions that seem to be driving the home

center industries of both lands closer together, so that in years to come they may look very much alike.

Japanese executives reflected on some of the forces changing the retail scene in both nations.

For example, in both nations the home center business has been fostered since World War II by the rise of highways. "When I first visited the American home center market 20 years ago, what impressed me the most was the network of highways," said Okamoto of Keiyo Home Centers. "Now, Japanese highways have improved and that has had an enormous impact on our economic scene."

With the expanded road network has come some of the same head-to-head competition seen in the United States. In one town, four home centers, each with 16,000-sq.-ft. showrooms, have opened on the same street.

And the middle class has become stronger in both lands, so that there is more of a demand for fixing up homes. From the business point of view the Japanese share such American concerns as the presence of conglomerates trying to muscle into the field, the rise of specialization in the various home centers and the head-to-head competition among new stores in some markets.

An example of this first point finds two large general merchant companies—Daiei and Seiyu, both based in Tokyo—having entered the home center field several years ago. The first opened a single store and the second opened three. But to date they haven't expanded.

Some Japanese observers also feel that the home center field in Japan takes just as much of the specialized expertise as it does in the U.S.

Okamoto of Keiyo Home Centers was approached recently by government officials who were trying to find jobs for a large number of employees being laid off from the railroads.

"They said they wanted to run home center companies," recalled Okamoto. "I told them not to do it, because they would never make it."

Ishihara of the Specialty Institute has forecast that home centers in Japan will take three directions in the future.

One set of home centers will start to look like the American super drug stores, carrying a selection of fix-it-up items.

A second group will look like American discount stores, with merchandise such as wallpaper and carpeting for remodeling projects of medium difficulty.

A third group will look like the traditional American home centers, with merchandise for heavier duty remodeling projects, although Japan will probably never see the broad selection of lumber seen in the United States.



Kahma is dominant in and around Nagoya City, Japan's third largest metropolitan area. The company's positive results have been attributed to the introduction of information systems and other innovations.



Keiyo is based in Tokyo, Japan's largest market, operates 40 stores and is planning rapid expansion.

Courtesy Chain Store Age News, Tokyo

Japan's DIY Industry at a Glance

	1984	1985	1986	1987
Total sales (¥100)	10,000	10,000	10,000	10,000
Selling area (sq. ft.)	10,000	10,000	10,000	10,000
Number of stores	10,000	10,000	10,000	10,000
Sales per sq. ft. (¥)	10,000	10,000	10,000	10,000
Employees per store	10,000	10,000	10,000	10,000
Full time	10,000	10,000	10,000	10,000
Part time	10,000	10,000	10,000	10,000
Inventory (¥100)	10,000	10,000	10,000	10,000
Gross profit	10,000	10,000	10,000	10,000
Operating	10,000	10,000	10,000	10,000
Personnel expense	10,000	10,000	10,000	10,000
Fixed costs	10,000	10,000	10,000	10,000
Profit	10,000	10,000	10,000	10,000

Faced with rising personnel expense, Japanese home centers have pulled more sales out of existing floor space to keep their pretax income from shrinking.

Japanese biz trends parallel United States

Like their American counterparts, Japanese home center companies are:

- Boosting store productivity.
- Experiencing greater personnel costs.
- Taking a more serious look at computer systems.

These trends are evident in a survey of 494 retailers undertaken by a trade group called the Japan Home Center Association, Tokyo. Its results have been collected into a new English language report released by Inter-Pacific Networks, a Los Angeles company that arranges international tours for business people.

Between 1982 and 1985, the average sales per store increased from \$4.45 million to \$4.90 million, according to the report.

This phenomenon was accomplished as sales per square foot increased to \$382.74 from \$317.50.

(Continued on page 26)

The Top 30 Japanese Home Center Chains

Rank	'85	Company Name	Sales (in Millions \$)	Stores
1	1	Viva Home	\$302.5	38
2	2	I Seiya	250.0	50
3	3	Kahma	220.6	24
4	4	Keiyo	205.0	39
5	5	Tokyo Hands	200.0	8
6	6	Joyle Honda	159.4	5
7	7	I world	150.0	8
8	8	Hinode	104.4	15
9	9	Daim	96.9	7
10	10	Etchu	93.8	7
11	11	Biguro Station	91.3	13
12	12	Sunday	89.4	20
13	13	Yamada	86.9	10
14	14	Intendo	86.3	80
15	15	Yamachi	83.8	15
16	16	Shimada	83.1	14
17	17	Sunday	79.4	8
18	18	Ono	76.3	4
19	19	Ono	71.8	10
20	20	Shimada	70.6	24
21	21	Yamachi	66.7	18
22	22	Yamachi	66.9	16
23	23	Yamachi	63.1	15
24	24	Yamachi	55.5	11
25	25	Yamachi	55.5	10
26	26	Yamachi	55.5	14
27	27	Yamachi	55.5	8
28	28	Yamachi	55.5	10
29	29	Yamachi	55.5	12

With \$302.5 million in annual revenues, Viva Home is the largest home center chain in Japan.

Perspectives

cover story



Joyful Honda is one of Japan's original DIY stores and has five locations.

Courtesy Chain Store Age News, Tokyo

Japanese business trends parallel U.S. industry

(Continued from page 23)

Inventory turnover has also increased over the same period, to 6.09 from 5.96.

Personnel expense has gone up dramatically, from 8.03% of revenues in 1982 to 10.51% in 1985.

Margins drop, profits hold

Market pressure seems to have also impacted the stores. Gross margin has decreased from 26.34% in 1982 to 25.57% in 1985.

"Our goal is to determine how to maintain low cost and bring down the break-even point," said Tadashi Okamoto,

senior vp of Keiyo Home Centers, Chiba-Ken, Japan.

Despite the increases in personnel expense and softening of margins, the companies seem to have been able to maintain a pretax profit margin of 3.40% in 1985. That was the same as the amount reported for 1982.

Part of this was achieved because the industry cut back on advertising expenses, from 3.30% of revenues in 1982 to 3.0% four years later. It remains to be seen whether that will bring about problems for the industry down the road, in terms of softened sales.

Further pressure on profitability may arrive soon, however, as the Japanese take on new computer equipment.

Computerization still new

About half of the companies responding to the survey said a new data processing system was under review. Only 7.6% said that a system had already been implemented.

"In the area of retail systems, Japanese home centers don't enjoy what general retailers have," said Okamoto. "But it's expected this area will see significant improvement over the next three to four years."

Japanese, U.S. execs speak out for world peace

By an NHCN staff editor

WASHINGTON, D.C. — Peace! Not violence!

That was one message stressed by home center executives at the Inter-Pacific Conference here.

"Hand guns are available in almost every home center and hardware store in America," announced S. Ross Hechinger, senior vp distribution of Hechinger Co., as he spoke to the Japanese guests.

That information must surely have surprised other American home center operators at the conference. But Hechinger insisted his company was a rare exception. "Hechinger refuses to add to urban violence, so we do not sell handguns," he said.

Tadashi Okamoto, co-chairman of Keiyo Home Centers, Chiba City, Japan, took the theme of tranquillity above street level into a global environment. He claimed an era of peace was needed for the home center industry to prosper.

"We look upon war as the primary enemy of the retail business," he said.

Cliff Oxford, vp-investor relations for Lowe's, North Wilkesboro, N.C., had the last word on the subject as he lent both support and caution to the call for peace.

"As my colleague said, we should have peace, not war," said Oxford. "But we, too, have had kamikaze operators in our business."

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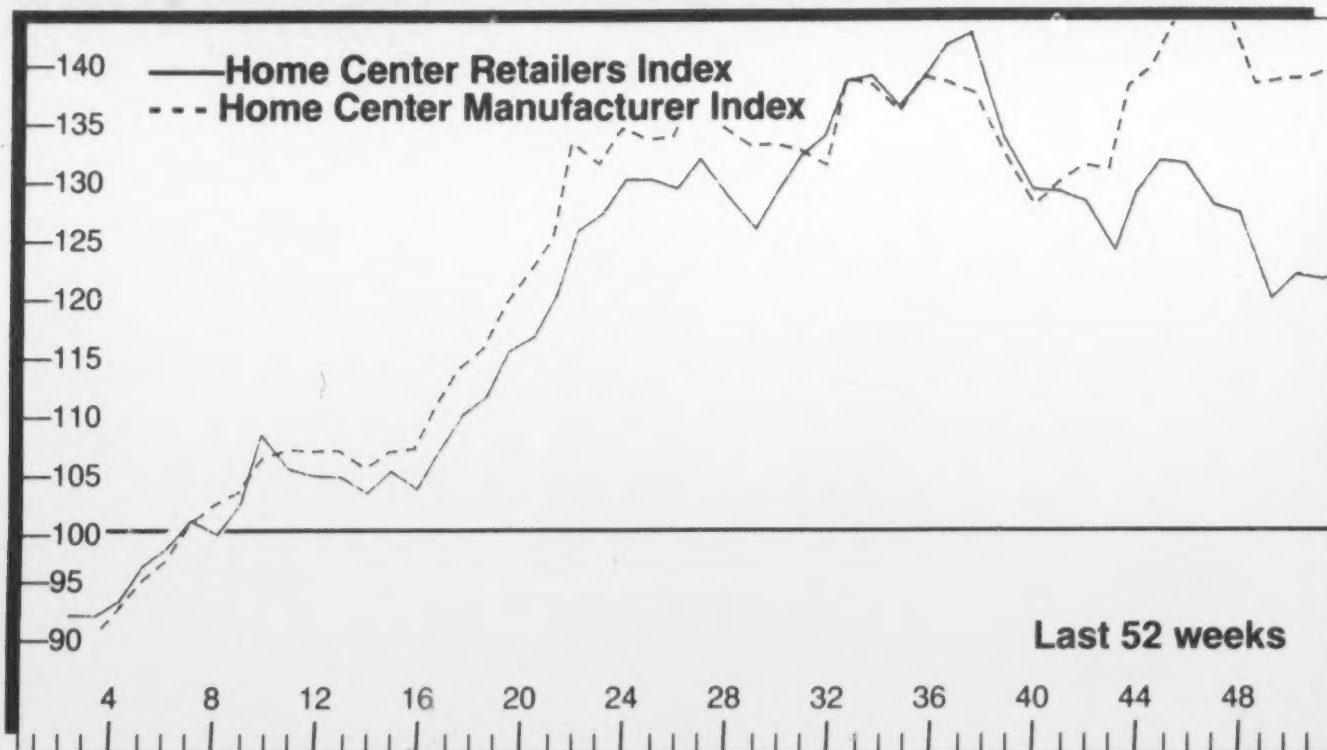
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FINANCIAL NEWS

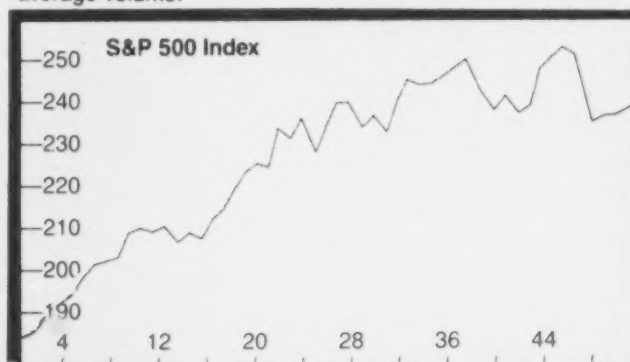


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the NHCN stock list.

Most Active Stocks

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
10-3-86	(100)	%	%
Supermkt Gen	13,463	293.3	7.6
Handyman	719	253.2	6.4
Forest City Ent	116	200.0	8.2
Champ Intl	53,763	195.9	7.6
La Pacific	12,665	172.2	6.0
Thos Inds	1,979	171.6	2.0
Weyerhaeuser	42,059	146.6	7.8
Emhart Corp	6,002	131.8	2.0
Grace W R	17,859	127.5	6.1
Masco Corp	27,913	127.4	9.9

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.



Price Movement

Company & Market	2-Weeks Ended 10-17-86	2-Week Price Change	Total 2-Week Volume
Winners	\$	%	(100)
Am Woodmark	12.75	17.2	525
Hechinger A	19.00	16.9	4,051
Newell Co	28.75	15.0	1,848
Am Standard	43.25	12.3	10,184
Pope & Talbot	22.00	10.7	995
Mor-Flo Inds	13.50	10.2	122
Masco Corp	26.38	9.9	27,913
Wolohan Lumber	8.63	9.5	1,419
Erb Lumber	17.25	9.5	319
Black & Decker	17.63	9.3	24,600
Losers	\$	%	(100)
Svc Merchandise	9.63	-14.4	23,754
Std Bld Pnt	23.63	-8.7	5,103
USG Corp	37.88	-7.9	32,959
Stanline Inc	9.50	-7.3	182
Scotty's Inc	13.00	-6.3	1,209
Mich General	1.88	-6.3	1,728
Ply-Gem	10.50	-4.5	1,612
Lewis Palmer	8.63	-4.2	642
Waxman Ind	13.25	-3.6	471
Zayre Corp	21.25	-2.9	30,344

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market												Financial Update																	
	Price								Volume				P/E Ratio	Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date					
	2-Weeks Ended		2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Traded		12-Week Avg. Vol.	Volume Trend		New Report	Period	Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.			
	10-17-86		Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Change					Amt.	Yld.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
	\$	\$	%	\$	\$	\$	\$	(100)	%	%	%	\$					%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	
Retailers																														
Color Tile	M	31.25	.00	.0	31.50	31.25	31.38	18.50	1,288	1.36	7.31	-81.4	19.8	.00	.0	.....	fiscal	06-86	107.0	9.4	4.9	22.5	.52	18.2	387.1	11.5	14.9	12.0	1.58	9.0
Erb Lumber	M	17.25	1.50	9.5	17.50	15.50	19.25	6.13	319	.95	.58	63.8	9.9	.00	.0	.....	6 mos.	06-86	60.5	13.9	2.2	-8.3	.67	3.1	95.6	20.4	1.9	-5.0	.57	3.6
Forest City Ent	A	31.25	2.38	8.2	31.25	29.00	33.50	22.00	116	.15	.05	200.0	28.4	.30	1.0	.....	6 mos.	07-86	43.3	-19.1	6.4	88.2	.80	86.0	131.3	3.2	6.6	83.3	.83	84.4
Grace W R	N	49.75	2.88	6.1	52.75	46.13	60.75	35.50	17,859	4.30	1.89	127.5	15.3	2.80	5.6	.....	6 mos.	06-86	1410.5	-26.1	86.4	108.7	2.06	148.2	2661.0	-23.7	83.3	8.3	1.98	27.7
Handyman	A	47.63	2.88	6.4	47.63	43.13	47.63	23.00	719	2.79	.79	253.2	20.6	.20	.4	.....	6 mos.	06-86	50.2	-2.3	2.2	-12.0	.85	-14.1	112.8	-6	2.0	-60.0	.79	-60.1
Hechinger A	M	19.00	2.75	16.9	19.25	16.00	23.59	13.59	4,051	3.71	3.69	.5	NA	.16	.8	.....	00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	18.75	.00	.0	20.25	18.75	23.59	14.00	558	.34	.23	47.8	22.6	.06	.3	.....	6 mos.	07-86	162.1	25.4	8.4	16.7	.27	12.5	299.0	22.6	13.3	20.9	.43	13.2
Home Depot	N	17.13	.25	1.5	17.63	16.63	21.75	10.50	7,241	2.87	1.69	69.8	27.2	.00	.0	.....	6 mos.	07-86	263.5	51.2	7.2	188.0	.28	180.0	486.1	52.2	12.3	179.5	.48	166.7
INTERCO Inc	N	42.13	1.88	4.7	42.25	40.13	47.63	32.13	3,991	1.40	1.12	25.0	13.9	1.60	3.8	.....	3 mos.	05-86	579.2	-1.7	14.4	28.6	.46	27.8	579.2	-1.7	14.4	28.6	.46	27.8
K mart Cp	N	47.75	1.13	2.4	48.13	44.13	57.38	31.50	46,248	3.67	2.14	71.5	21.0	1.48	3.1	.....	6 mos.	07-86	5979.0	9.5	118.4	58.3	.88	51.7	11191.4	7.2	210.0	57.5	1.58	51.9
Lowe's Cos	N	24.13	.13	.5	25.00	23.25	41.50	22.00	6,566	1.68	1.59	5.7	15.3	.40	1.7	.....	6 mos.	07-86	657.8	10.4	21.2	1.4	.54	-6.9	1191.8	13.7	32.6	-6	.85	-6.6
Mich General	A	1.88	-.13	-6.3	2.25	1.75	5.25	1.63	1,728	1.52	1.11	36.9	NE	.00	.0	.....	6 mos.	06-86	120.0	.8	(2.6)	NE	(.22)	NE	211.2	2.0	(8.5)	NE	(.75)	NE
Natl Hardgoods	M	8.50	.00	.0	8.50	8.25	9.31	5.00	102	.75	.46	63.0	19.8	.00a	.0	.....	6 mos.	07-86	10.9	5.8	.4	100.0	.25	25.0	17.4	2.4	.4	33.3	.28	33.3
Natl Lumber	M	5.00	.00	.0	5.50	5.00	7.00	4.00	186	.33	.40	-17.5	NE	.00	.0	NEW	6 mos.	07-86	NC	NC	NC	NC	NC	NC	73.0	NC	(.7)	NC	(.12)	NC
Pay N Pak	N	11.25	.75	7.1	11.50	10.13	19.38	9.50	2,564	2.56	2.04	25.5	17.3	.40	3.6	.....	6 mos.	06-86	108.7	20.1	1.1	-63.3	.11	-63.3	213.8	23.4	3.4	-33.3	.34	-33.3
Payless Cash	N	17.38	.25	1.5	18.38	16.88	27.50	13.50	10,403	3.00	1.54	94.8	14.1	.16	.9	.....	9 mos.	06-86	418.8	10.4	13.4	8.1	.39	8.3	1122.1	11.1	31.4	16.3	.91	13.8
Scotty's Inc	N	13.00	-.88	-6.3	14.25	12.63	18.13	12.50	1,209	.84	.46	82.6	15.5	.52	4.0	NEW	3 mos.	09-86	118.7	7.6	1.6	-42.9	.11	-45.0	118.7	7.6	1.6	-42.9	.11	-45.0
Sears, Roebuck	N	42.88	1.75	4.3	43.25	40.50	50.38	33.13	49,560	1.36	1.04	30.8	12.3	1.76	4.1	.....	6 mos.	06-86	10750.2	9.3	284.9	7.3	.77	6.9	20140.5	8.3	480.2	-1.8	1.29	-2.3
Svc Merchandise	M	9.63	-1.63	-14.4	11.00	9.50	15.00	8.25	23,754	7.13	6.27	13.7	NE	.08	.8	.....	6 mos.	06-86	626.6	14.8	(9.3)	-100.0	(.27)	-100.0	1083.7	21.4	(38.5)	NE	(1.15)	NE
Std Bld Pnt	N	23.63	-2.25	-8.7	26.13	23.50	27.00	19.13	5,103	4.51	3.11	45.0	19.7	.58	2.5	.....	6 mos.	07-86	89.2	-6.6	4.8	-11.1	.42	-12.5	167.0	-5.3	8.1	-20.6	.71	-22.0
Supermkt Gen	N	30.13	2.13	7.6	31.50	28.00	32.25	21.00	13,463	3.50	.89	293.3	16.7	.28	.9	.....	6 mos.	07-86	1361.4	5.8	19.9	226.2	.52	2.0	2698.7	7.8	32.2	79.9	.86	2.4
Wickes Cos	A	4.38	.13	2.9	4.50	4.00	7.00	4.00	57,903	2.44	1.61	51.6	16.2	.00	.0	.....	6 mos.	07-86	1111.8	32.4	20.8	114.4	.13	160.0	2106.9	36.3	36.5	748.8	.15	NE
Wolohan Lumber	M	8.63	.75	9.5	8.88	7.88	10.75	5.25	1,419	2.42	1.35	79.3	12.3	.16	1.9	.....	6 mos.	06-86	55.1	27.0	1.8	38.5	.30	25.0	83.2	25.1	1.7	70.0	.28	55.6
Zayre Corp	N	21.25	-.63	-2.9	22.50	20.75	43.88	20.75	30,344	5.15	3.84	34.1	14.1	.32	1.5	.....	6 mos.	07-86	1212.7	35.4	9.0	-43.8	.15	-44.4	2257.2	33.9	25.7	-17.6	.43	-20.4
Wholesalers																														
Lewis Palmer	M	8.63	-.38	-4.2	9.00	8.63	9.88	6.75	642	1.64	1.22	34.4	27.8	.28b	3.2	.....	6 mos.	07-86	46.6	24.3	.4	100.0	.12	100.0	80.4	14.0	.5	150.0	.14	133.3
Stanline Inc	M	9.50	-.75	-7.3	10.50	9.50	12.75	6.25	182	1.13	1.58	-28.5	10.8	.28	2.9	.....	9 mos.	07-86	16.4	18.0	.5	66.7	.26	8.3	43.8	5.5	1.1	22.2	.64	-8.6
Manufacturers																														
Allegheny Int	N	18.75	-.38	-2.0	19.50	15.88	27.50	11.38	3,330	3.09	3.55	-13.0	NE	.00	.0	.....	6 mos.	06-86	445.7	-10.5	(1.6)	-100.0	(.85)	-100.0	912.9	-8.9	10.3	-31.3	(.44)	NE
Am Standard	N	43.25	4.75	12.3	43.25	38.50	46.88	29.63	10,184	2.71	1.53	77.1	8.6	1.60	3.7	.....	6 mos.	06-86	819.4	8.4	80.1	114.7	2.12	123.2	1534.4	7.7	130.3	126.2	3.42	132.7
Am Woodmark	M	12.75	1.88	17.2	12.75	10.88	14.75	10.00	525	.85	1.39	-38.8	13.0	.00	.0	.....	3 mos.	07-86	28.4	16.9	1.8	63.6	.30	36.4	28.4	16.9	1.8	63.6	.30	36.4
Armstrong World	N	54.63	.63	1.2	55.25	52.25	69.88	34.88	5,690	2.36	1.43	65.0	12.2	1.44	2.6	.....	6 mos.	06-86	487.0	13.3	33.8	4.6	1.40	4.5	917.9	13.8	56.7	12.9	2.35	12.4
Black & Decker	N	17.63	1.50	9.3	18.00	15.63	25.25	14.50	24,600	4.24	1.90	123.2	26.7	.40	2.3	.....	9 mos.	06-86	416.5	12.0	2.8	NE	.03	NE	1353.3	5.9	25.3	-31.1	.46	-36.1
Boise Cascade	N	59.00	.63	1.1	60.38	57.50	61.50	39.63	9,954	3.40	2.14	58.9	20.4	1.90	3.2	NEW	9 mos.	09-86	959.5	2.7	13.3	-34.5	.38	-41.5	2821.2	-8	69.6	-18.4	2.28	-19.7
Certain-teed	N	30.50	.63	2.1	31.50	28.75	38.50	22.63	1,013	.53	.73	-27.4	10.2	.90	3.0	NEW	9 mos.	09-86	304.5	.1	19.9	8.7	1.04	11.8	845.6	-3	46.6	8.4	2.45	12.4
Champ Intl	N	28.25	2.00	7.6	29.25	25.50	29.75	20.25	53,763	5.71	1.93	195.9	19.5	.52	1.8	.....	6 mos.	06-86	1096.4	-31.4	50.5	16.6	.51	21.4	2218.7	-31.6	72.5	-16.8	.71	-16.5
DeSoto Inc	N	37.50	-.38	-1.0	38.50	37.50	41.38	31.50	650	1.36	.71	91.5	28.2	1.40	3.7	NEW	9 mos.	09-86	107.7	-1.4	(3.8)	-100.0	(.80)	-100.0	336.0	1.8	3.5	-69.0	.73	-69.2
Emhart Corp	N	32.38	.63	2.0	33.00	31.38	42.63	26.38	6,002	1.97	.85	131.8	12.0	1.40	4.3	.....	6 mos.	06-86	527.9	17.4	19.8	-25.8	.67	-30.2	1037.5	19.3	37.8	-10.2	1.32	-13.2
Genova	M	4.50	.00	.0	4.75	4.38	5.88	4.38	62	.16	.28	-42.9	10.2	.10	2.2	.....	9 mos.	06-86	14.5	2.1	.7	75.0	.19	111.1	35.9	.0	.9	12.5	.24	20.0
Georgia-Pacific	N	39.25	2.38	6.4	39.38	36.00	39.38	20.63	45,561	4.40	2.14	105.6	25.5	.80	2.0	.....	6 mos.	06-86	1929.0	7.5	86.0	28.4	.79	29.5	3533.0	4.7	116.0	.0	1.04	.0
Insitco Corp	N	20.00	.25	1.3	21.50	19.63	24.75	16.63	4,252	2.16	1.14	89.5	14.5	1.00b	5.0	.....	6 mos.	06-86	197.1	-14.6	11.5	8.5	.57	.0	377.4	-11.8	18.3	10.2	.91	1.1
La Pacific	N	28.63	1.63	6.0	29.25	26.75	30.13	18.31	12,665	3.43	1.26	172.2	23.3	.80b	2.8	.....	6 mos.	06-86	394.0	14.2	24.5	390.0	.67	415.4	716.6	16.3	25.9	250.0	.71	255.0
Macmillan Bloedel	M	28.25	1.75	6.6	28.75	25.75	28.63	12.88	312	.10	.05	100.0	NA	.50b	NA	.....	6 mos.	06-86	698.7	16.8	49.1	529.5	1.31	3175.0	1311.9	15.4	78.3	652.9	1.99	NE
Manville Cp	N	2.50	.00	.0	2.63	2.38	8.88	2.00	6,076	2.53	1.72	47.1	NE	.00	.0	.....	6 mos.	06-86	490.6	-2.0	25.2	23.5	.79	33.9	946.1	1.3	37.2	14.1	1.03	22.6
Masco Corp	N	26.38	2.38	9.9	26.50	23.75	34.50	16.31	27,913	2.16	.95	127.4	18.7	.36	1.4	.....	6 mos.	06-86	327.0	27.7	51.6	42.1	.40	29.0	635.0	30.9	96.7	34.7	.75	21.0
Mor-Flo Inds	M	13.50	1.25	10.2	13.50	12.00	19.25	12.00	122	.48	.52	-7.7	14.8	.01	.1	.....	6 mos.	06-86	48.3	-9.9	.8	-52.9	.32	-53.6	100.7	-5.0	1.5	-55.9	.80	-55.2

National Home Center News®

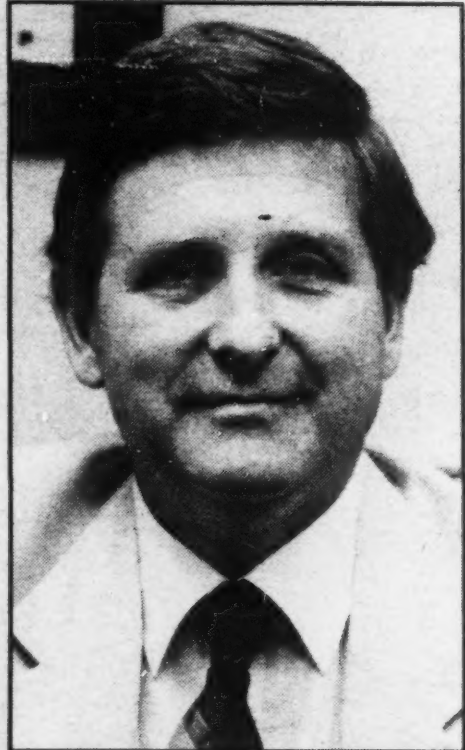
Vol. 12, No. 24 \$2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. November 17, 1986

Home Quarters sold to Kossar for \$10 mil.

By an NHCN staff editor
NEW YORK — A management investor group led by Bernard R. Kossar, senior vp of W.R. Grace's retail group, has bought that company's four-unit chain, Home Quarters Warehouse (HQ) for more than \$10 million.

Kossar will become chairman and ceo of HQ while Frank C. Doczi will continue as president and coo.

The deal ends more than six months of negotiations which, at one time, found Kossar also vying, unsuccessfully as it turned out, for Grace's Central Region, the Chan- (Continued on page 58)



Frank Doczi, HQ's president, expects expansion pace to quicken. NHCN photo

BMA, Coast to Coast seek merger; cite 'synergy'

By Phillip M. Perry
NHCN staff editor

DENVER — Builder Marts of America (BMA) and Coast to Coast, the sixth and seventh largest dealer buying groups in the nation, are discussing a possible merger.

If the merger goes through as planned, the result will produce a buying group whose sales—just under \$900 million—will be the third highest in the country, after Cotter & Co. (\$1.7 billion), and Ace Hardware (\$1 billion).

"We are expecting to reach a decision shortly, but whether that will be in a matter of days, or weeks I don't know," said Richard Ingram, president of the dealer division of



Coast to Coast®

The proposed merger of Coast to Coast and Builder Marts of America would result in the creation of the industry's third largest buying group.

BMA.

Richard Bard, chairman of Coast to Coast, said BMA had approached his firm earlier this year, and serious negotiations had been underway for about a month.

"A merger would provide a great synergy," said Bard.

"Coast to Coast is at one end of the spectrum, serving hardware stores in small-town America. BMA is on the other end of the [retail commodities] spectrum."

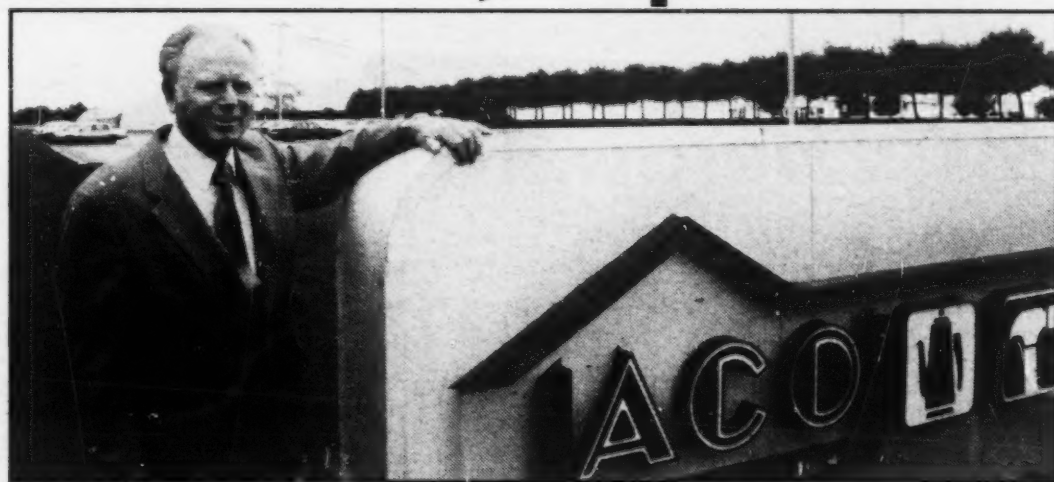
The merger would bring together two firms with dispa- (Continued on page 58)

ACO moves to secure its niche with aggressive ads, expansion

By Gary S. Ruderman
NHCN staff editor

FARMINGTON HILLS, Mich. — Since October, the chain that thinks of itself as Michigan's "convenience hardware store" has been on a media blitz.

Throughout a 10-county area of southwestern Michigan, the name and logo of ACO, Inc., has been plastered on billboards, blared from radio spots, seen on TV commer- (Continued on page 57)



Ted Traskos, chairman, ACO Hardware, in front of corporate sign at chain's Farmington Hills, Mich., headquarters. NHCN photo

Grossman stock trades despite Chap. 11 snag

By John Caulfield
NHCN staff editor

LOS ANGELES — Two investment firms have started taking orders on an "if and when" basis from prospective buyers and sellers for the 25.1% of new common stock, owned by trade creditors, that will be tradeable as soon as Grossman's Inc. emerges from Chapter 11.

But, at least in the short run, it does not appear that a single company, such as the voracious Wickes Cos., would be allowed to gobble up all that stock because of Internal Revenue Service provisions that would deprive the new company of the tax advantages afforded it by

(Continued on page 57)

Lowe's stock soars amid speculation of Wickes grab

By an NHCN staff editor

NORTH WILKESBORO, N.C. — Lowe's stock increased in price by some 26% during a five-day period late last month. The increase was one of the most dramatic this year in the home center industry.

Wall Street sources pegged the rise on rumors that Wickes Cos. was accumulating stock in Lowe's for a possible takeover.

Lowe's stock began rising

on the New York Stock Exchange (NYSE) Thursday, Oct. 23, when it went up 7/8 to close at \$24.00. Over the next three business days the stock continued to gain, closing at \$25.88 on Oct. 28.

It was Wednesday, Oct. 29, when the firm's stock went through the roof, rising \$3.25 to close at \$29.12. Some 1.2 million shares were traded that day, nearly nine times the company's usual trading volume.

"We have seen nothing that would cause us to make a comment," said Cliff Oxford, investor relations vp for Lowe's. Wickes would not comment on the rumors.

In an Oct. 9 report that discussed unfriendly takeovers, Barbara Alexander, an analyst at Salomon Brothers, noted that when adjusted for its liquidation value, Lowe's stock would be worth over \$39 per share.

Bo Cheadle, an analyst at

Montgomery Securities, San Francisco, was quoted on the front page of *Investor's Daily* Oct. 30, as saying if Wickes were to take over Lowe's, the price might be in the area of \$36 to \$45 a share.

When contacted later by NHCN, Cheadle said that earlier in the week of the stock's price activity, he heard Wickes might make a bid for Lowe's. Cheadle would not disclose the identity of his source, whom he described as

reliable.

"I asked myself first, does Wickes have the ability to do this?" said Cheadle. He noted Wickes has \$1.4 billion in a takeover war chest, plus \$500 million in borrowing power. The firm also has the ability to divest some \$300 million in businesses over the coming months.

Cheadle concluded Wickes has the ability to finance the takeover. If Lowe's were to (Continued on page 58)

INSIDE



Home center retailers are devising new advertising strategies to reach consumers more effectively —Page 21



Innovative sundry programs are producing add-on sales and lifting paint department profits —Page 28

NEWSBREAKS

SOMERVILLE SHIFT. David Cohen will become president and coo of Somerville Lumber on April 1. Cohen, currently vp, will succeed his uncle Harold Cohen who becomes co-chairman of the board with Melvin Cohen, David's father. Melvin Cohen will also serve as ceo.
ORCHARD SUPPLY NAMES PRES. Maynard Jenkins, president and coo of 107-unit Pay'n Save Drug Stores, Seattle, was named president of the 20-unit, San Jose, Calif.-based Wickes division effective Dec. 1, replacing Thomas Thornton who resigned in July.

INDUSTRY UPDATE

K mart streamlines operations

TROY, Mich. — K mart has agreed to sell Furr's Cafeterias and Bishop Buffets to Cavalcade Holdings of Lubbock, Tex., for \$237.5 million cash. The company also has decided to sell or close its unprofitable Designer Depot stores, a 79-unit off-price specialty-apparel chain established by K mart in 1982.

"Although these cafeteria operations have been consistently profitable and are expected to show increased 1986 earnings, they do not fit into our corporate growth plans," said Bernard Fauber, chairman. "We believe it is more appropriate to devote our resources to our area of expertise."

K mart views its core business as discount and specialty store retailing. The company operates 83-unit Builders Square stores.

SportsClub makes fall debut

SACRAMENTO, Calif. — A membership warehouse-format sporting goods outlet launched by HomeClub founder Robert McNulty is debuting this fall with four California outlets.

The first two All American SportsClub units opened in Sacramento and Burbank in October. Two more units, in Torrance and San Bernardino, are slated to open in November. A \$10.5 million private equity placement is funding the new venture for McNulty, who resigned as ceo of 28-unit HomeClub, a wholly-owned subsidiary of Zayre Corp., in August.

Each SportsClub contains approximately 50,000 sq. ft. to 70,000 sq. ft. of selling space devoted to a broad assortment of sporting goods equipment and apparel.

Stambaugh adds largest unit

YOUNGSTOWN, Ohio — Stambaugh-Thompson, a chain of 20 units, broke ground in Boardman, Ohio, last month for the largest store in its history. Expected to open in the spring, the store has been designed to have a showroom of 50,000 sq. ft. The company operates two stores with 40,000-sq.-ft. showrooms in the Ohio towns of Warren and Zanesville.

Located across the street from the largest store in the Busy Beaver chain, the new store will also have outside sheds for lumber on nine acres of land.

Details about the merchandising of the store were not disclosed. Stambaugh engaged in a drive to renovate and remerge the majority of its stores last year (*NHCN*, Nov. 5, 1984).

J.T.'s springs fifth store

NEWPORT, R.I. — J.T.'s Home & Builders Centers opened a new 40,000-sq.-ft. store in Warwick, R.I., on Oct. 24. Francis X. Flaherty, mayor of Warwick, R.I., together with other local dignitaries, joined J. Timothy O'Reilly, president and ceo of J.T.'s Home & Builders Centers, for the board-cutting ceremony.

The 10-acre home center complex is an important addition to the five-unit Rhode Island-based company, and was financed through a Rhode Island Industrial Bond issue.

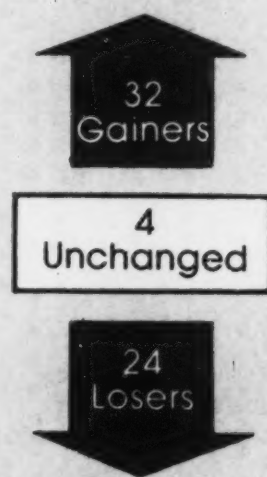
Takeover rumors propel prices

NEW YORK — Takeover rumors propelled the price of two home center stocks as gainers outpaced losers, 32 to 21, during the two weeks ended Oct. 31. Four industry issues were unchanged.

A published report that W.R. Grace & Co., which sold its Home Quarters Warehouse chain, was a takeover target of GAF Corp. sent that conglomerate's stock price soaring 14.6% during the period to \$57. Channel, Handy Dan, Handy City and House Works are all that's left of the once formidable Grace home center division.

Lowe's stock rose 13% to \$27.25 for the two-week period as analysts suggested Wickes Cos., spurned in its attempts to gobble up National Gypsum and Owens-Corning, has now set its sights on the home center industry's largest chain.

(See financial table, page 56)



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Payless Cashways acquires Knox Lumber for \$28 million

By an *NHCN* staff editor

ST. PAUL, Minn. — The 10-unit Knox Lumber Company, headquartered here, is officially part of Payless Cashways, Kansas City, Mo.

The \$28 million purchase was finalized on Oct. 27. Concurrently, Knox president Richard Miller left the St. Paul-based retailer and was replaced by vp-merchandising, Mike Carver, a 14-year Knox employee who was named general manager and executive vp, according to a Payless Cashways spokesperson.

While Payless did not mention Miller's leaving in its official release on the transaction, Miller confirmed to *NHCN* through a Payless spokesperson that he left Knox of his own accord.

"During the initial negotiations I concluded that I would leave to pursue other interests, and I am delighted to be able to leave Knox on such a

positive note. I am confident of the future and strengths of this new partnership. Everyone is a winner," he told *NHCN*.

Miller did not elaborate on the transaction nor did he say what he would do next.

Carver, who did not return phone calls from *NHCN*, now reports to Stan Boyd, senior vp-stores at Payless Cashways, according to a statement issued by the Kansas City-based retailer. In that statement, Carver said the association with Payless will allow Knox to grow.

Knox is scheduled to open its 11th store, the seventh in the Twin Cities area, some time next year.

Knox is being operated as a wholly-owned subsidiary of Payless, now a 182-unit chain.

The Knox purchase culminated a two-month long effort by Payless Cashways to secure Knox, which was purchased last April 23 for \$27.5

million from Southwest Forest Industries of Phoenix by an investment group headed by The Sterling Group of Houston.

Last month's announcement that the transaction was completed included no mention of any personnel or operational changes. It did confirm that Jack Walsh, vp-operations, is retaining his position with the St. Paul-based retailer. Payless chairman David Stanley is quoted in the company release as saying that "for the most part, it's business as usual."

Sources inside and outside Knox contacted by *National Home Center News* said they were not surprised Miller left the company or that Carver was named general manager. One store manager said that he learned of the final transaction and Carver's new position from a release which was issued by Payless corporate headquarters.

Erb sheds new light on PK purchase

By an *NHCN* staff editor

BIRMINGHAM, Mich. — Erb Lumber released additional financial records last month casting new light on its purchase of Peter Kuntz, the \$60 million chain of 21 home centers based in Dayton, Ohio.

The new documents show PK had revenues of \$59.6 million for the year ended Oct. 31, 1985, up from the \$57.4 million for the same period a

year earlier.

The heavily competitive Midwest market, however, seemed to have a negative impact on the bottom line of the firm. In 1985, PK's net income of \$174,900 reflected a 0.3% net margin. And the previous year the company experienced a \$172,200 loss.

Gross margins for PK came to only 23.2% in 1985, up from the 22.8% of the previous year.

Erb paid \$25 million for PK. The acquisition was not only the largest in history for Erb, but also represented its initial foray into the state of Ohio with traditional building materials outlets (*NHCN*, June 30). Last year, Erb and Eclipse Industries, St. Louis, entered a joint venture for the construction of DIY Home Warehouse units in Ohio.

Shareholder's equity of PK (Continued on page 57)

Nat'l Hardware Convention hits Hawaii

By John Caulfield

NHCN staff editor

HONOLULU — The Hawaiian word Oahu translates to mean "the gathering place," and it was on this island that nearly 1,400 hardlines manufacturers and wholesalers gathered last month for the annual National Hardware Convention here. This is the first time this annual event has been held outside the North American continent.

The relaxed atmosphere of the convention was in marked contrast to the gloomy condition of some of the industry's retail, wholesale and manufacturing members. But several officials attending the show are taking a toughened attitude towards their businesses vis-à-vis their competition.

"When Handyman goes out and Mr. HOW goes out, where does that volume go? Or does it just disappear because it was artificial to begin with," asked Jim Woodhouse, vp-marketing for Omark Indus-

tries, the Woodburn, Ore.-based tool accessories supplier.

"Some of the big guys in our business took the pipe this year, but that only means that instead of cutting the sales pie into eighths, we're now back to dividing it into fourths," said Dean Peel, senior vp of the Dremel division of Emerson Electric, in response to a question about the dire financial straits of a number of retail and distribution companies.

Peel was elected the new president of the American Hardware Manufacturers Association during the convention, replacing Dick Mason, the president of Ames. AHMA is a co-sponsor of this event, along with the National Wholesale Hardware Association (NWhA).

However, most of the conventioners spoken to were surprisingly upbeat about the future, even while they were hearing from AHMA execu-



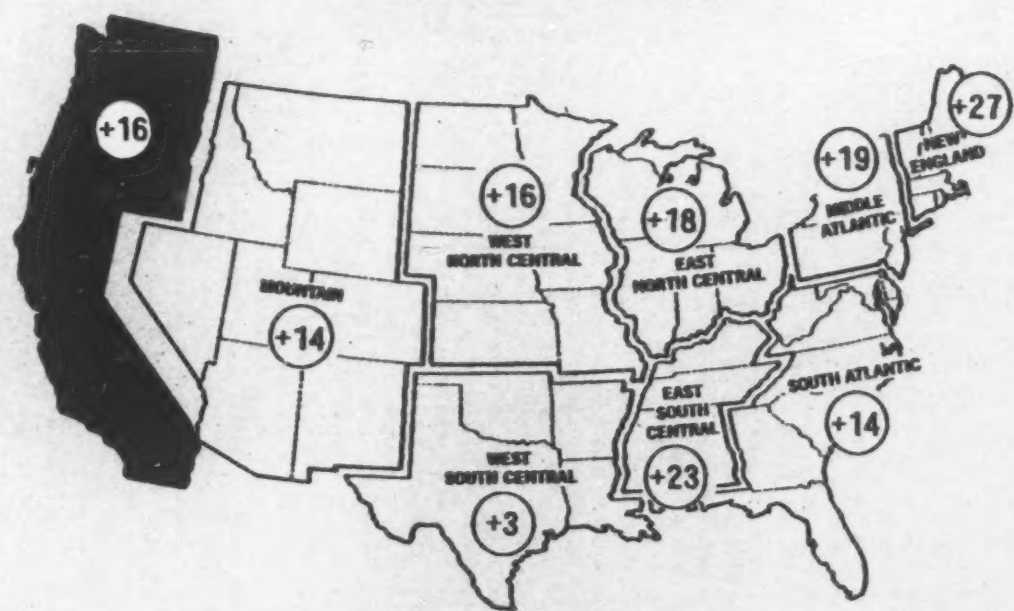
Michael Tucker, pres.-D.H. Howden & Co., addresses suppliers at the Nat'l Hardware Convention, held in Honolulu.

tive director Bill Farrell that the industry's sales were expected to be flat this year. "I think the mood is good," noted Michael Tucker, president of (Continued on page 58)

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BUSINESS WATCH

Building Material and Supply Store Sales
Outlook for 1986

United States +16

PERCENT CHANGE UNIT VOLUME

The NHCN Leading Indicator is projecting a small contraction in building material sales in the second half of 1986. The first-half boom in housing starts is past and the recent upturn in resales will not boost building material sales until next year.

Pacific states to outdistance
nation in bldg. material salesBy Richard E. Mount
Special to NHCN

Building material sales in the Pacific states will increase 16% in unit volume this year, equal to the national average. For 1987, regional sales gains will slow to 7%, slightly higher than the 6% nationwide gain. The Pacific states cover broad geographic and economic territories. Washington and Oregon are beginning to accelerate and will be top performers in building material sales during 1986 and 1987. California will be average for the region. Hawaii and Alaska will be the softest markets.

The rebound in the domestic lumber industry is raising the level of economic activity in the Pacific Northwest



Richard E. Mount

states. The International Trade Commission has imposed a 15% countervailing duty on softwood lumber from Canada. The lower dollar has boosted U.S. exports. Strength in single-unit hous-

ing starts increased demand. The strike in British Columbia mills continues while problems in U.S. mills were short-lived.

Weakness in the national high-tech field, a growing industry in Washington and Oregon, developed in 1986 as consuming markets paused after the products of the recent past. But, this industry will rebound during the coming year, increasing local employment.

Building material sales will increase 18% in Washington this year and 9% in 1987. Employment is up 2.2% from a year ago, and resales posted a strong gain of 10% in 1985. The unemployment (Continued on page 51)

Home Center Industry Regional Outlook

		1985			1986				1987			
		QII	QIII	QIV	QI	QII	QIII	QIV	QI	1985	1986	1987
NHCN Leading Sales Indicator (January 1980 = 100)		121.0	123.4	124.7	127.9	132.1	136.6	138.8	139.9	118.5	130.3	140.8
Building Material Retail Sales												
Current	\$ Millions SAAR Total United States	53,736	56,976	61,180	62,580	63,128	62,964	65,292	67,398	53,841	62,463	69,122
	New England	3,238	3,477	3,492	3,849	3,933	3,879	4,009	4,125	3,038	3,788	4,228
	Middle Atlantic	7,408	8,306	8,324	8,955	8,762	8,714	9,010	9,281	7,269	8,689	9,503
	East North Central	8,603	9,048	8,096	9,685	10,031	10,055	10,479	10,851	8,381	9,467	11,140
	West North Central	3,841	4,000	3,541	4,082	4,387	4,351	4,499	4,637	3,747	4,090	4,761
	South Atlantic	10,868	11,837	13,871	13,504	13,118	13,122	13,620	14,079	11,262	13,404	14,447
	East South Central	3,056	3,182	3,513	3,631	3,731	3,772	3,963	4,111	2,964	3,662	4,230
	West South Central	5,822	6,041	6,817	6,317	6,250	6,120	6,320	6,497	6,090	6,376	6,659
	Mountain	2,620	2,763	3,256	2,951	3,087	3,092	3,206	3,302	2,674	3,096	3,383
	Pacific	8,281	8,322	10,269	9,604	9,829	9,860	10,186	10,514	8,377	9,891	10,770
Constant	Millions \$1982 SAAR Total United States	51,144	53,749	57,422	60,401	59,955	58,800	60,370	61,700	51,035	59,145	62,936
	New England	3,082	3,280	3,460	3,781	3,733	3,622	3,707	3,776	2,882	3,650	3,850
	Middle Atlantic	7,051	7,836	7,916	8,450	8,322	8,138	8,331	8,496	6,894	8,206	8,653
	East North Central	8,188	8,536	9,193	9,568	9,527	9,390	9,689	9,934	7,950	9,419	10,143
	West North Central	3,656	3,773	4,104	4,210	4,167	4,063	4,159	4,245	3,554	4,136	4,335
	South Atlantic	10,344	11,167	11,613	12,521	12,459	12,254	12,593	12,889	10,682	12,212	13,154
	East South Central	2,909	3,002	3,266	3,533	3,543	3,522	3,664	3,764	2,812	3,466	3,851
	West South Central	5,541	5,699	6,221	6,040	5,936	5,715	5,844	5,948	5,777	5,978	6,063
	Mountain	2,494	2,607	2,800	2,929	2,932	2,887	2,964	3,023	2,536	2,887	3,080
	Pacific	7,882	7,851	8,849	9,368	9,335	9,208	9,418	9,625	7,946	9,190	9,807
Per Cent of U.S. Total												
Current	Per Cent of U.S. Total (\$Current)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Total United States	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	6.03	6.10	6.03	6.26	6.23	6.16	6.14	6.12	5.65	6.17	6.12
	Middle Atlantic	13.79	14.58	13.79	13.99	13.88	13.84	13.80	13.77	13.51	13.88	13.75
	East North Central	16.01	15.88	16.01	15.84	15.89	15.97	16.05	16.10	15.58	15.93	16.12
	West North Central	7.15	7.02	7.15	6.97	6.95	6.91	6.89	6.88	6.96	6.99	6.89
	South Atlantic	20.22	20.78	20.22	20.73	20.78	20.84	20.86	20.89	20.93	20.65	20.90
	East South Central	5.69	5.58	5.69	5.85	5.91	5.99	6.07	6.10	5.51	5.86	6.12
	West South Central	10.83	10.60	10.83	10.00	9.90	9.72	9.68	9.64	11.32	10.11	9.63
	Mountain	4.88	4.85	4.88	4.85	4.89	4.91	4.91	4.90	4.97	4.88	4.89
	Pacific	15.41	14.61	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	91.3	88.6	92.7	91.1	94.5	94.1	92.4	91.1	88.5	93.1	91.6
	Cement	106.5	99.8	121.2	108.7	105.3	110.1	107.9	106.5	105.7	111.3	106.4
	Gypsum Wallboard	129.6	132.4	132.8	133.7	132.3	134.5	134.6	134.2	126.4	133.3	133.9
	Hardware	99.2	99.4	99.8	102.1	104.5	104.5	104.5	103.9	100.9	102.7	103.8
	Lumber Products	126.1	125.7	128.0	132.8	134.1	130.6	127.5	126.7	122.9	131.4	126.7
	Paint	98.2	100.2	100.6	103.0	103.7	106.1	107.2	107.9	101.9	103.4	108.1
	Plywood	144.3	142.9	149.6	161.4	154.6	158.2	155.3	150.9	138.7	156.0	152.4